downtown retailing
new towns
property tax

from the ULI Staff

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Contents

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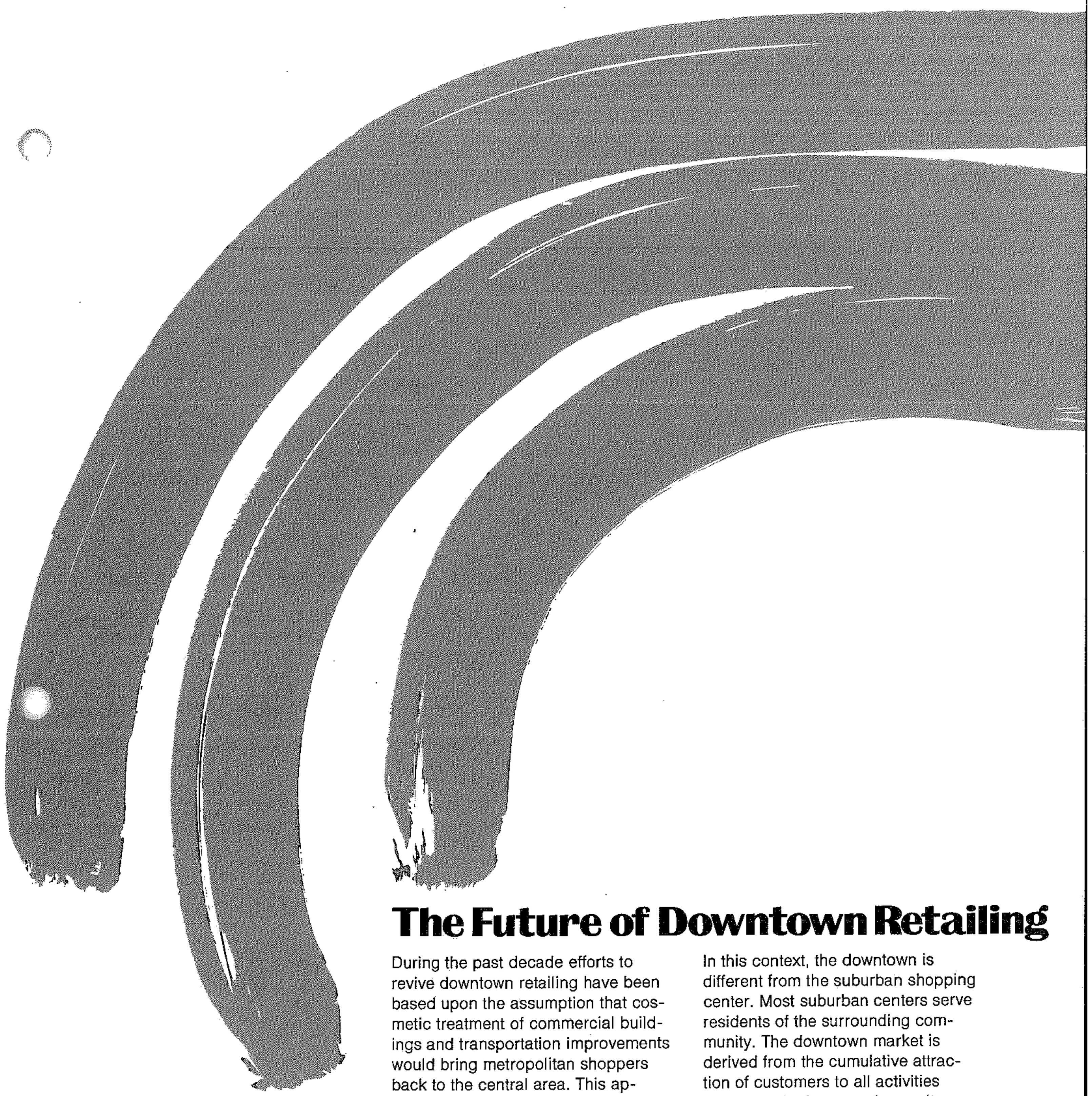


The Future of Downtown Retailing

During the past decade efforts to revive downtown retailing have been based upon the assumption that cosmetic treatment of commercial buildings and transportation improvements would bring metropolitan shoppers back to the central area. This approach to the problem of reversing the decline of retail sales has largely ignored the fact that the retail strength of central business districts is derived not only from its position in a metropolitan market, but also from shoppers who are attracted to the downtown for reasons of employment, business, entertainment, and a need for specialized services.

In this context, the downtown is different from the suburban shopping center. Most suburban centers serve residents of the surrounding community. The downtown market is derived from the cumulative attraction of customers to all activities carried on in the central area. Its sales volume potential is the sum of trade from individual market sources.

by Al Smith

It follows that any analysis of the future of downtown retailing must account for changes in the volume of retail trade which can be expected from its component markets. These markets are comprised of four major sources of patronage including: 1. metropolitan area shoppers; 2. downtown employees; 3. center city residents; and 4. visitors to the central area.

Surveys completed by Real Estate Research Corporation in cities of size classes between 200,000 and 1,000,000 in population indicate that in the typical downtown less than 50 percent of all shoppers enter the downtown area for the primary purpose of shopping. Three cities, Denver, Colorado, Seattle, Washington and Pittsburgh, Pennsylvania, are used as examples throughout the text. To illustrate, studies conducted in Denver, Colorado indicate that only 48.0 percent of all shoppers entered the downtown for the primary purpose of shopping. Some 31.3 percent of all shoppers stated that they worked in the downtown, while 7.5 percent indicated that they were in the downtown to conduct business, financial, or legal matters. Other reasons given for coming to downtown Denver are shown in Table 1.

The results of this survey and interviews conducted in other cities demonstrate that the bulk of downtown trade is derived from "captive markets." The Denver survey revealed that 52.0 percent of all persons entered the downtown for reasons other than shopping. Yet some 29.0 percent of these persons indicated that they planned to shop while in the downtown.

This conclusion is borne out by studies of the frequency of downtown visits. Interviews conducted with pedestrians in Denver show that 41.2 percent of all visitors to the central business district enter the area on a daily basis, while 25.9 percent come downtown at least once a week. The remaining 32.9 percent of all patrons come to the downtown on a more infrequent basis.

While shoppers who visit the central business district on a daily or weekly basis represent the most distinctive source of patronage, downtown stores continue to enjoy high levels of penetration into the general metropolitan market for shoppers' goods. For example, home interviews conducted in the Seattle Metropolitan Area indicated that 35.0 percent of all respondents visited the downtown on an infrequent basis. Some 25.0 percent of this same group stated that shopping was the primary purpose of the trip.

The major factor which affects the frequency of trips by shoppers is convenience. In the Seattle household survey only 29.0 percent of all responses indicated that lack of parking in the downtown and congestion were reasons for not going downtown more frequently. On the other hand, the convenience of local shopping facilities was mentioned in 59.0 percent of all responses as a reason for not shopping in the downtown more frequently.

While a lack of convenience causes shoppers to avoid the central business district on a daily basis, downtown stores continue to penetrate markets for shoppers' goods—largely because consumers tend to postpone comparative shopping trips. This is evidenced by the fact that residents of the Seattle Metropolitan Area make 25 to 30 percent of all shoe, major appliance, furniture, and clothing purchases made in downtown Seattle at the present time, and by the fact that the average purchase of department store merchandise on each trip to the downtown is about three times larger than at suburban centers.

Thus, while the frequency of downtown visits remains low it is evident that shoppers from the Seattle Metropolitan Area comprise an important source of trade. In fact, results of the Seattle study show that shoppers from outlying areas of the city and surrounding counties account for more than 65 percent of all sales to downtown stores (see Table 3). For this reason, continuing efforts need to be made to maintain, if not increase, this source of patronage.

Factors Affecting Penetration into Metropolitan Markets

Traditionally, the primary function of the downtown has been to serve as a regional shopping center for an entire metropolitan area. However, growth of suburban shopping centers has acted to limit penetration of central area stores into regional markets by 1. "siphoning off" trade by city residents, and 2. intercepting shoppers from regional markets who would ordinarily be destined for the downtown.

For example, panel surveys of area housewives conducted by Guide-Post Research of Pittsburgh, Pennsylvania, show that the share of all shopping trips made to the Golden Triangle from the city and surrounding Allegheny County declined from 20.0 to 11.6 percent between 1958 and 1970. The frequency of shopping trips has fallen from an average of 3.1 to 2.6 trips per month. Over the same period total sales by downtown stores have fallen by 13.6 percent (in constant dollars).

The ability of downtown stores to penetrate outlying markets is being undercut not only by factors of convenience but also by the type of operations employed by stores located outside the downtown. Because they operate on lower gross margins, chain store and discount operations have been able to attract and hold a larger share of the market for standard brand merchandise. In Pittsburgh, the share of total department store sales handled by these outlets in the metropolitan area is currently 22.3 percent—an increase of 14.5 percent since 1958.

Current levels of penetration into downtown areas are also being limited by outlying branches of downtown department stores. These stores were opened as a response to growing competition from discount and chain stores. However, they are intercepting customers who otherwise would be destined for the downtown. Panel surveys by Guide-Post Research show that only 71.7 percent of Allegheny County residents now shop in downtown department stores compared to 81.4 percent in 1958. Perhaps the most important factor affecting downtown shopping trips is the growth of suburban shopping centers. Eight major centers were opened in Allegheny County between 1960 and 1967 therefore increasing the share of shopping trips to suburban centers from 22.1 to 54.7 percent. As is indicated in Table 4 declines in shopping trips to the downtown and older outlying districts correspond to the opening of these new centers.

The decline in C.B.D. patronage by regional shoppers has played a major role in the loss of retail sales, but its impact appears to be leveling off. In Pittsburgh, it was found that the share of shoppers' goods purchases made in the downtown fell from 58.0 to 34.0 percent between 1958 and 1970. As new centers opened in the period 1965 to 1968, however, retail sales dipped but then rebounded steadily. Based upon the downtown's recovery from these recessions it appears that the impact of suburban competition has begun to stabilize.

This does not imply, however, that penetration of the central business district into metropolitan markets will increase in the future. Currently, per capita expenditures for shoppers' goods in downtown stores is only 29.0 percent of the total expenditures made at suburban centers. As the number and quality of suburban centers grows in the future, it is expected that only a small percentage of the growth in per capita expenditures of metropolitan area households will be made in downtown stores.

Table 1 Main Reasons for Coming to Downtown Denver

Purpose of Trip	Percent
Work	31.3%
Shop	48.0
Business, financial and legal matters	7.5
Medical, dental	3.3
Meet friends or business associates	.9
Attend meetings or convention	.4
Vacation	.1
Recreation, amusement or eating	3.0
Visit government office	.1
Seek employment	.8
Educational, cultural	.7
Other	3.9
	100%

Table 2 Reasons for Not Going to Downtown Seattle More Frequently

Reason	Percent[1]
Parking lots are full	23.0%
Don't like downtown	22.0
Too expensive	17.0
Less traffic in local areas	17.0
Downtown is dangerous	16.0
Free parking in local areas	16.0
Local shopping is good	14.0
Shopping areas close to home	12.0
Go downtown only on special occasions	10.0
Downtown is congested	6.0
Inconvenient	4.0

[1] Percents total more than 100 due to multiple responses.

Table 3 Retail Sales Volumes by Market Source, Downtown Seattle, 1970
(in 000's dollars)

Market Source	Sales Volume	Percent of Total
Metropolitan Area Shoppers	$162,000	65.6%
Core Area Employees	30,000	12.1
Center City Residents*	18,000	7.3
Out of Town Visitors	37,000	15.0
Total	$247,000	100.0%

* Residents who live within a two mile radius of the downtown.

Growth of the Downtown's Internal Markets

With the decline in importance of metropolitan area trade, it has become apparent to market analysts that the future of downtown retailing rests with the development of internal markets. These markets are comprised of: 1. downtown employees, 2. center residents and students, and 3. out of town visitors attending business meetings, conventions, sporting and special events, vacationers and persons visiting the city on personal business.

During the past decade a rapid expansion of office industries has occurred in most medium-sized cities. While this growth is expected to slow in the coming decade, the growth of office industries has already been responsible for restoring an otherwise sagging employment picture in downtown areas. For example, by 1980 in Denver, Colorado it is expected that the total supply of office space will almost double the available supply in the pre-1960 period. The number of office employees is expected to increase by 30 percent during the same time.

This expansion of office employment represents the largest single growth market for retail items. Downtowns serve as a convenience center for employees. Because they visit the downtown on a daily basis they have maximum exposure to retail facilities. Thus, they form a captive market for certain types of shoppers' goods and convenience items.

Surveys conducted in downtown Denver show that 85 percent of all employees make more than one-quarter of their expenditures for clothing and apparel in the downtown while 30 percent make virtually all of these expenditures in central area stores. Street interviews with shoppers who are employed in the downtown area show that 70 percent of their last purchases of shoes, suits, and coats and 45 percent of recent purchases of appliances were made in the downtown.

In addition to expenditures for major shoppers' goods, employees also make almost all their lunch expenditures and a significant percentage of incidental clothing items, sundries, and tobacco purchases in downtown stores. Women who work downtown make a considerable portion of all family and Christmas shopping expenditures in central area stores.

Based upon the Denver surveys it is estimated that the typical employee currently spends up to $700 or about 35 percent of all household expenditures for shoppers' goods items in the downtown. With the increase of employees projected by 1980, it is expected that downtown retailers will realize an increase of some $15 million from this source of trade alone (Table 5).

Residents of households and college students living within a one to two mile radius of the downtown provide a second captive market. Center city residents utilize the downtown as if it were a neighborhood shopping center often visiting downtown stores on an average of four to five times per month. Because they are attracted to the center city for reasons of convenience, it is not uncommon to find that they spend as much as 50 percent of all household consumption expenditures in the central business district.

The advent of urban renewal has stimulated even more interest in center city living. Marketing experience has shown that the interest of prospective middle and upper income-residents is often two or three times greater after they have experienced the opening of a high quality redevelopment project. For example, in Pittsburgh, recent rental experience indicates that an additional 4,000 units of middle and upper-income housing can be developed by 1980 despite the fact that vacancies among some 2,600 units in redevelopment projects were in excess of 16 percent as late as 1968. In part this "turn around" in consumer attitudes is related to the fact that the bulk of the market for new center city housing is derived among downtown employees.

College students who attend center city institutions also represent a large and continuous market for retail items. During the past decade there has been a rapid expansion of enrollments in higher educational institutions. This growth is expected to slow down in the coming decade as colleges and universities begin to concentrate their efforts on improvements of facilities. Despite this slowdown, however, higher educational institutions in Pittsburgh expect enrollments to increase by an added 25 percent.

Interviews conducted in Pittsburgh show that the average full time student living on or near the campus spends about $1,700 during a nine-month school year compared with $860 for students who commute from home. Miscellaneous items including sports events, movies, liquor, and clothing account for about 70 percent of these expenditures among undergraduates. Housing, food, and entertainment account for about 60 percent of all expenditures for graduate students.

The results of studies in Pittsburgh show that the potential volume of retail sales from center city residents and college students will increase by more than 60 percent over their current levels by 1980. While the central business district will not capture all of this trade, current spending patterns indicate that some $12.5 million of this increase will be realized in downtown stores. The distribution of student expenditures, as well as those of center city residents, are shown in Table 6.

Out of town visitors attending meetings and conventions, and sports and special events, as well as vacationers and persons in the center city on personal business, form a third internal market for retail trade. These groups do not ordinarily patronize downtown retail establishments. In fact, most of these visitors would not be attracted to the central area if special facilities such as hotels and convention halls were not located there.

Visits by businessmen are stimulated primarily by sales and promotional trips and business meetings. Surveys of major employees in a number of medium-sized cities indicate that almost all major firms receive between five and twenty out-of-town businessmen each week, and nine out of ten firms hold business meetings on at least a quarterly basis. Since their business generally carries over, it is not unusual to find that a high percentage of these persons stay at center city hotels. In Seattle, for example, some 40 percent of all hotel patrons are businessmen.

Conventions and conferences also attract large numbers of out of town visitors. Seattle attracts between 50,000 and 70,000 visitors annually at the present time, and it is expected to host about 90,000 convention delegates by 1980. At the present time, the average delegate to a convention in Seattle stays approximately 3.7 days and spends about $125 on lodging, food, and retail items.

In addition to these sources of patronage, vacationers and persons visiting relatives in the Seattle area also bring trade to downtown stores. Because most of these persons are transient they remain in the downtown for a shorter period of time than convention delegates but spend an average of nearly $35 per person per visit. Based upon the growth of this market in the Seattle area, it is expected that this source of trade will increase annual sales $4.4 million by 1980.

Taken together, increases in out of town visitors to Seattle are expected to add some $12 million in retail sales by 1980 (these totals do not include expenditures made at hotels). Most of these expenditures will be made for food, clothing, and specialty shoppers' goods. The distribution of sales which is expected is summarized in Table 7.

Table 4 Shopping Trips of Allegheny County—City of Pittsburgh Residents, 1958-1967

Type of Area	1958	1962	1970
Golden Triangle	20.0%	17.7%	11.6%
Older Business Districts	57.9	41.2	33.7
Shopping Centers	22.1	41.1	54.7

Source: Guide-Post Research, *Neighborhood vs. Downtown Shopping,* 1970

Table 5 Growth of Denver's Retail Sales to Downtown Employees, 1970-1980

(in 000's dollars)

Category of Sales	Increase 1970-1980
Convenience Goods Sales	$ 8,490
Department Store Type Merchandise, Furniture and Appliances	2,835
Apparel Sales	1,410
Miscellaneous Retail Sales	1,410
Entertainment	285
Personal Services	570
Total	$15,000

Table 6 Growth of Pittsburgh's Retail Sales to Center City Residents and College Students, 1970-1980

(in 000's of dollars)

Category of Sales	Increase 1970-1980
Convenience Goods Sales	$ 1,870
Department Store Type Merchandise, Furniture and Appliances	3,680
Apparel	2,760
Miscellaneous Retail Sales	770
Entertainment	2,090
Personal Services	1,330
Total	$12,500

Table 7 Growth of Seattle's Retail Sales to Out-of-town Visitors, 1970-1980

(in 000's of dollars)

Category of Sales	Increase 1970-1980
Convenience Goods Sales	$ 4,920
Department Store Type Merchandise, Furniture and Appliances	912
Apparel	552
Miscellaneous Retail Sales	960
Entertainment	1,920
Personal Services	2,736
Total	$12,000

The Changing Pattern of Downtown Retailing

Analysis of recent census data indicates that losses of downtown retail trade have stabilized and are on the "rebound" in many cities. This trend has occurred as outmigration of center city population and the impact of suburban competition have leveled off and as demand from growing internal markets has begun to bolster retail sales volumes. The impact of this shift can be illustrated, using Pittsburgh's Golden Triangle as an example.

During the period between 1958 and 1963 sales in the Golden Triangle fell by 22 percent from about $480 to $393 million (in constant 1964 dollars, entertainment and personal services included). However, by 1967 losses of sales volumes had stabilized and by 1970 had returned to $420 million annually largely in response to a revival of the city's office space market in the mid 1960s. Based upon recent trends and projected growth of internal markets, it is expected that by 1980, sales volumes of downtown stores will have returned to their 1958 levels.

While these projections and those of other medium and large cities auger for optimism, it is doubtful that retailers will capitalize on the growth of internal markets, unless they reorient their image. Broad changes in buying habits of shoppers are expected to take place as market emphasis shifts toward new sources of patronage. These shifts are expected to create a trend toward greater polarization in merchandising.

In an effort to sustain sales volumes during the past two decades, many downtown stores have resorted to "scrambling merchandise lines." This practice was stimulated by "price advantages" in selling and growth in the market for electrical equipment, home appliances, and drugs. Downtown variety stores, for example, added "big ticket items" such as the colored television set which afforded a higher gross margin than more traditional product lines.

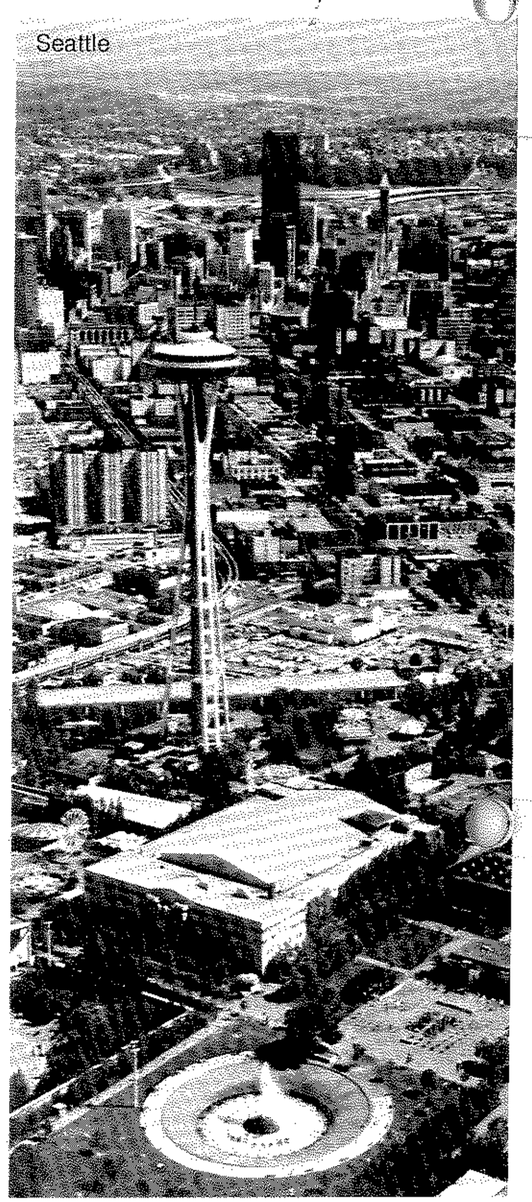
Other stores resorted to the practice of "trading-up" through the addition of low-end and odd-lot merchandise —as a means of selling higher value goods. To illustrate, department stores placed greater emphasis on bargain basement operations. This practice enabled them to compete against growing competition in markets for standard brand merchandise.

The use of such selling techniques was expedient during the "lean years." Now, however, market pressures are forcing further consolidation of store outlets dealing in this type of standard brand merchandise. This trend is occurring because:

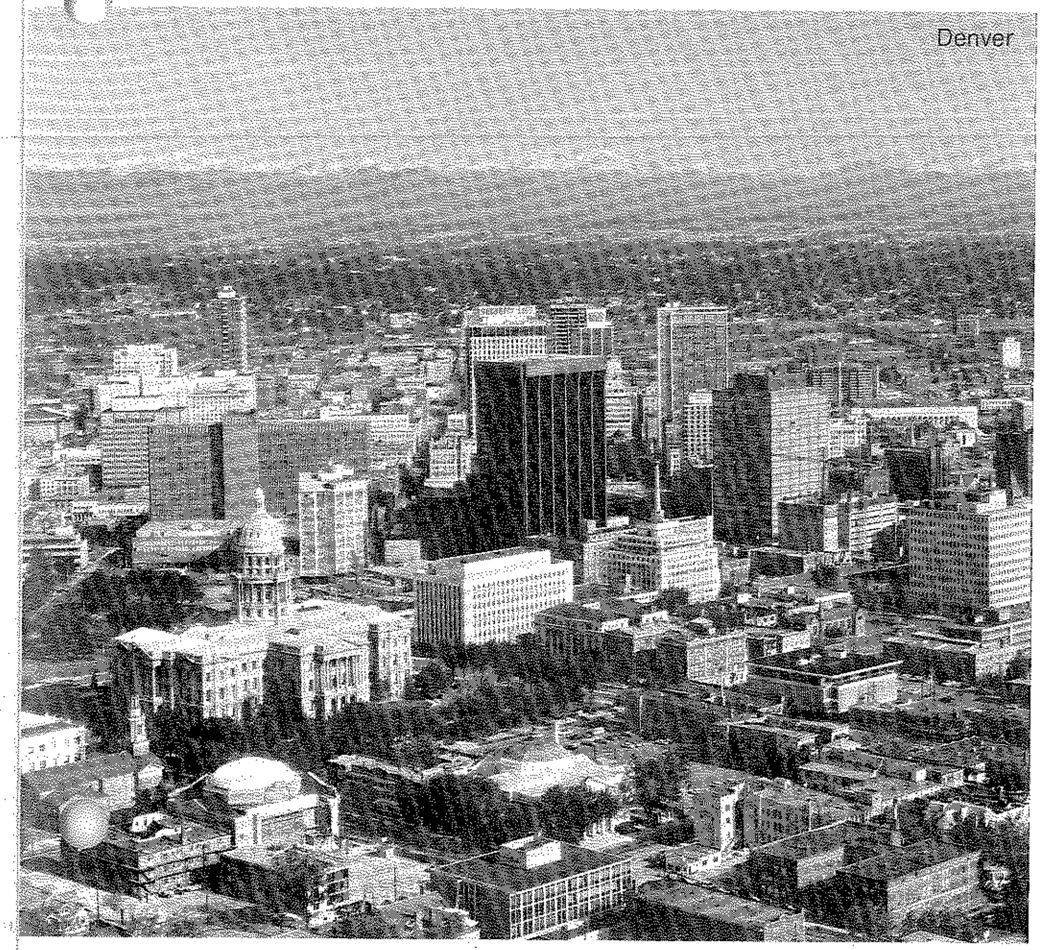
1. Rising labor costs have leveled the price advantages of carrying appliances and drugs, making them less attractive as merchandise lines to low-volume buyers.
2. The market for items such as color television sets and home appliances is reaching saturation, indicating that the number of outlets dealing in this type of merchandise will decline.

At the same time these trends are taking place, a countervailing trend toward specialization in retailing is emerging. Consumer interest is shifting toward fashion clothing and home furnishings as status symbols. As this shift occurs it is expected that there will be a rising demand for services, increased variety, and more distinctive styles in retail lines.

It is evident from the Pittsburgh experience that the growth of the downtown's internal markets will play a major role in shaping the trend toward sales of high value apparel and specialty shoppers' goods, as well as expanding the market and variety of eating and entertainment establishments. Based upon Real Estate Research Corporation's projections, sales of miscellaneous shoppers' goods and apparel are expected to increase by 19.6 percent and 12.2 percent respectively—while sales of department store merchandise are expected to increase by only 8.7 percent.


Seattle

Thus, at one extreme, it is expected that retail outlets dealing in standard brand items will be forced to consolidate into larger units in order to serve the convenience needs of downtown shoppers. At the opposite extreme it is expected that there will be an increase in demand for specialty stores, small shops, and boutiques which carry a deep assortment of goods in a single line. Conventional retailers caught in between these poles, such as department and variety stores, are not expected to share equally in the growth of retail sales.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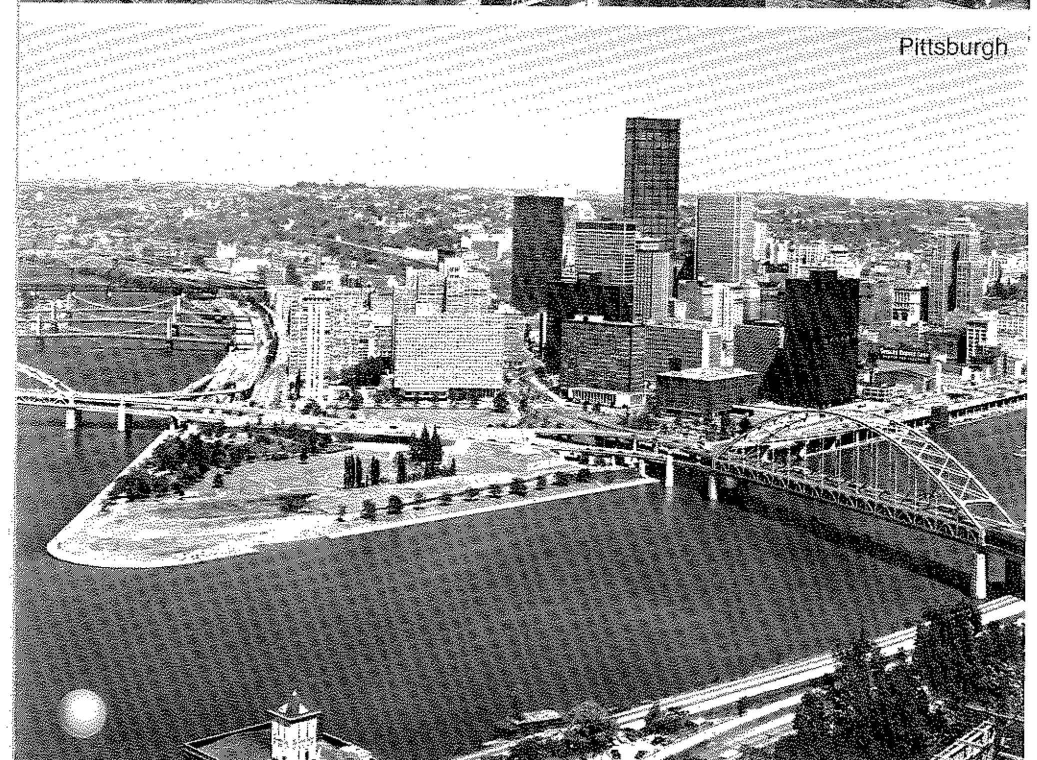
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The Demand for Retail Space

The shift in market sources as well as changes in the tastes and buying habits of downtown shoppers is expected to have a marked effect on the demand for retail space. In the coming decade, the proportion of retail sales stemming from internal markets will increase by 10 percent to about 40 percent of all downtown sales in medium-sized cities. As this shift occurs, demand for new retail outlets will be created at locations in or near office buildings, convention, hotel, and entertainment facilities.

A major problem facing retailers who encroach upon office, financial, and hotel districts will be the cost of space. Due to the rapid growth of office space over the past few years, land values and the cost of improvements in many of these districts are out of proportion to the lease market and total income which developers can derive from retail properties. Also, many expanding retail uses such as movie theaters, better quality restaurants, business and repair services do not generate adequate sales volume to allow them to occupy prime downtown locations.

One solution to this problem will be the development of "second level", basement, and arcade facilities. The use of ground floor space in office buildings and parking garages also offers potential in redevelopment projects. In addition to these techniques, premium zoning and tax incentives may be needed in order to attain an appropriate mix of retail uses.

These trends in space utilization will not auger well for the central or core shopping district. Demand for space in these areas is expected to continue its decline as ready markets for television sets, home appliances, electrical equipment, and drugs dry up. Consolidation of this type of merchandise in larger outlets is expected to occur in areas nearer major department stores and parking facilities. This will cause further fragmentation and concentration of shopping facilities in areas serving specialized markets.

Table 3 Growth of Pittsburgh's Retail Sales, by Market Source, 1970-1980[1]
(in 000's of dollars)

Category of Sales	Downtown Employees	Center City Residents[2]	Out of Town Visitors[3]	Total Increase[4]
Convenience Goods Sales	$ 8,184	$ 1,863	$ 3,701	$15,200
Department Store Type Merchandise, Furniture and Appliances	2,728	3,677	686	10,900
Apparel	1,364	2,756	415	5,800
Miscellaneous Retail Sales	1,364	762	722	4,200
Entertainment	276	2,087	1,444	3,900
Personal Services	552	1,328	2,058	3,940
Total	$14,468	$12,473	$ 9,026	$43,940

[1] Totals include projected expenditure increases of all shoppers presently entering the downtown.
[2] Includes college students.
[3] Includes convention delegates, sport and special events attendees, businessmen and visitors.
[4] Totals include sales increases to metropolitan area shoppers.

Due to this trend in the location of retail establishments, it is apparent that the task of "cleaning up main street" will not be achieved through the private market. At the present time between 25 and 50 percent of all retail space in the typical downtown is obsolete and needs to be replaced. However, most of this space is located in under-utilized loft storage space or obsolete store units in the core of the downtown where in all probability public action will be needed to remove it from the supply.

Provided public action to revitalize the central area continues at levels comparable to those of the past decade, it is expected that demolition and new construction will, on balance, result in only a slight increase in the supply of retail space in most cities. Thus, while it is felt that the trend in losses of retail space which occurred in the past decade will be reversed, the total demand for retail space is not expected to increase, in absolute terms, much above its present levels.

The impact of these trends can be illustrated using the city of Denver as an example. Based upon studies conducted in that city it was found that there was a net loss of about 920,000 square feet of retail space between 1962 and 1970. In the coming decade, it is estimated that an additional 524,000 square feet of space will need to be removed but that 575,000 square feet of space will be constructed. Thus, if a reasonable pace of public and private demolition is maintained, the total supply is expected to increase by only 1.8 percent over the amount of space which is available at the present time.

Steady losses of population from cities, growth of competition from suburban shopping centers, and the subsequent decline of sales volumes and quality of retail outlets over the past decade has caused many planners to become "bearish" on the subject of downtown retailing. However, many of these same people failed to realize that the majority of downtown shoppers are attracted to the central area for reasons other than shopping. The growth of these internal markets during the 1960s is now acting to reverse the decline of downtown retailing.

This trend has demonstrated that traditional techniques for allocating consumer expenditures, based upon convenience of households to shopping facilities, are not applicable in projecting downtown sales volumes. The central business district provides a wide variety of services to a number of markets. These sources of patronage, whether downtown employees or convention delegates, represent a potential dollar volume which cannot be allocated by place of residence in the metropolitan area.

Based upon recent studies in cities throughout the United States, it is expected that in the coming decade losses in sales and quality of downtown retailing will be reversed. Future growth will be characterized by increased variety and selection of merchandise, as well as increased specialization of retail services and facilities.

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Planners, architects, social critics, and urban theorists from various backgrounds, all have decried the socio-economic pathologies associated with increased concentrations of population in metropolitan areas in America. These pathologies—suburban sprawl, traffic congestion, air and water pollution, the declining fiscal base of central cities—have been cited, singly or together, as causes of the discouraging physical, economic, and social situation currently facing our metropolitan complexes. Running through these criticisms, however, is the common argument which focuses on some form of physical decentralization as part of the solution to these problems. This focus has spawned a rash of pleas for planned new communities, new towns, and complete new cities as viable cures for the "ills" of our rapidly growing metropolitan areas.

by James L. Short

It is clear from the start, however, that there is a problem of *defining* the nature and form of planned growth which is being touted by the urban critics, planners, and others as a part of the "urban solution." To date, a major portion of the literature on new urban growth forms has concerned itself with whether new towns and new communities are "satellite," "peripheral," "independent," "dependent," or "intown." Such discussions apparently assume that the concept of "new town" has been sufficiently and clearly defined, and that it need not be distinguished from the concept of "new community." Consequently, these two terms are used interchangeably in current literature. Advertisements can be seen daily applying either or both to everything from two or three high-rise buildings with intermixed apartments and offices and a fountain in the middle of a central plaza, to more modern versions of postwar "bedroom" communities, to a planned new city complete with the London Bridge.

It can be argued, however, that a new town definition has not been clearly established, and before discussing different types of new towns it should be made clear to what new urban growth form we are applying these various descriptions. By understanding more clearly the nature of the new town concept and distinguishing it from a new community, it should be easier for decision makers and researchers to measure the impact of settlement types on various urban growth problems toward which substantial resources may be directed. The following pages attempt to aid in this clarification by setting limits on the definition of new towns, and by suggesting a set of definitional criteria for identifying other relevant types of planned new development for future research.

The definitional criteria to be suggested and the distinctions drawn between new towns, new communities, and new-towns-intown are not meant merely as an academic exercise. New forms of urban settlements are springing up across the country's landscape, and legislation at a national scale such as Title VII of the Housing and Urban Development Act of 1970 has resulted from attempts to foster these kinds of development. It is important not only to decision makers but also to the researchers providing information input to these decision makers, that the concepts upon which they are focusing attention and toward which they are funneling resources be as clearly defined as possible. However, should these concepts continue to lack definitional clarity does not mean that society will become immobilized, that resource allocation decisions will cease, nor that the concepts themselves cannot be operationalized. Indeed, no one has provided us with satisfactory definitions of terms such as "town," "city," or "community," even when unqualified by adjectives like "new" and "planned," yet policy and allocation decisions continue to be made.

Nevertheless, since both increased attention and resources are being directed toward these various new forms of urban growth, efforts toward greater clarification need to be continued. This is so because there may be alternative forms of urban growth which are being overlooked or ignored in the process of singularly encouraging the development of the ill-defined concept of new towns—alternatives which, from society's standpoint, may be more or less "costly" in terms of total resources.

That the question, "What is a New Town?", has not been a simple one to answer is shown by the following example. Anthony Downs has suggested that by considering only 10 key factors describing possible future urban growth patterns, and ascribing several arbitrarily chosen values to each factor, it is possible to derive more than 93,000 logically possible combinations—each representing a potential form of future urban growth!

To be sure, this is an exaggeration. But it does point up the problem of defining and distinguishing between such terms as "new towns" and "new communities." These concepts are frequently used interchangeably, but should be taken to represent very different growth forms, and thus have potentially different impacts on a variety of urban growth problems. Depending upon one's definition and source of information, the number of existing planned new settlement types varies upward to 250, and it has been estimated that there are approximately 50 or so under construction or on the planning board. The diversity among these existing and proposed developments is substantial, and wide differences in the definition of new towns continue to cloud the issue. What is needed, therefore, is clarification.

A "new town" definition could be stated to include all of the following major elements:

1. some minimum population size,
2. development under a single comprehensive plan,
3. a multiplicity of land uses (residential, commercial, office, industrial, recreational, open space),
4. some amount of economic autonomy, and
5. some degree of spatial distinction.

It is suggested here that of these criteria, a variety of combinations could be considered the necessary elements defining a "new community" or planned suburban subdivision (or even a "new-town-intown" as will be noted later). But only when all elements are present together will conditions be considered *sufficient* to title the settlement a new town or new city.

At this point one is tempted to say that several "old" towns and cities would also be caught under this rubric. This is, of course, quite true. Washington, D.C., for example, would have met the five requirements during its development years. The point at issue here, however, is not whether existing "old" towns were at one time "new" towns, but whether various types of urban growth forms currently being developed and built should be called "new towns" or "new communities."

Another caveat may also be in order here. The term "community," especially when we speak of the "urban community" or the "black community," encompasses more than the physical and economic elements contained in the five new town definitional criteria suggested in the text. Seen this way, "community" encompasses the terms "town" and "city." In attempting to separate "*new* community" from "*new* town" the intent was not to view the former term more narrowly than the latter. The intent was to give more rigor and consistency to the definition of particular settlement types called "new towns," and to show how this growth form might be considered distinct from other variegated settlement patterns which can be referred to as "new communities." However, since differences in terminology between "town" and "city" remain unresolved by urban theorists, these terms are used interchangeably in the present discussion.

Many of the planned new settlement types existing or being developed in the U.S. today could be more realistically identified as "new communities." For the most part, they contain some combination of the first three criteria: minimum size, comprehensive planning, and multiple land uses. In some cases the criterion of spatial distinction may be added to this combination; for example, a spatially separated, but primarily residential "bedroom" or "commuter" suburb.

Though there is disagreement on the specific numbers and appropriate combinations, the elements of size, planning, and multiple uses are fairly uniform elements in the new town definition and some combination of these three criteria (with the occasional inclusion of a fourth criterion, physical separation) are found in most of the literature dealing with various types of planned new settlements, and can be seen as basic elements in most of the "new communities" across the country. However, some may argue about the necessary minimum population size (is it 25,000, 50,000, or 100,000?), others disagree over the differential importance of social, economic, cultural, and recreational elements of the comprehensive plan, while still others have varying opinions as to the "appropriate" combination of residential, commercial, office, industrial, and open space land uses.

Far fewer, however, are those planned settlement types which, in addition to the elements of size, planning, and multiple uses, take on both of the additional new town criteria of economic autonomy and identifiable spatial distinction. It would therefore be worthwhile to discuss these two criteria at greater length.

There seems to be a substantial amount of confusion as to the importance of an economic base to the concept of new towns here in the U.S. One hears terms such as "self-sufficient," "independent," "balanced," and "self-contained" used to describe the degree of economic autonomy which should result from the development of a new town. Such terms do not necessarily mean the same thing, however, and are not equally clear in their usefulness as a description of the general economic base of a given new town or the ability of that base to generate economic growth. "Self-sufficient" and "balanced" seem unnecessarily vague and subjective along these lines. At the same time, lack of any significant amount of social and economic interaction between a new town and its metropolitan neighbors in the form of independence is unlikely given the state of transportation technology and the relatively short distances between most new towns and the nearest existing metropolitan area.

This leaves "self-containment" as the potentially most useful term describing that degree of economic autonomy necessary to qualify some form of urban growth as a new town or new city. Such a term is frequently given an employment-related focus, referring basically to relative closure of the new town's labor market, commutation ease by its labor force, and/or jobs available for new town residents. The measure of self-containment suggested here focuses on both commutation and numbers of jobs of all types available in the new town. This singular emphasis on unemployment is a more limited view than that given self-containment by the new town movement in Britain, where the concept seems to have originated.

Assuming all available jobs are filled, this measure can be expressed as the ratio of local jobs held by non-commuting resident labor force members and by workers "imported" to the local area to the total number of jobs provided. As long as the number of jobs provided is equal to or greater than the resident labor force, the ratio will take on values from zero to unity, and increase as either out-commuting decreases or numbers of jobs increases, or both. The nearer the ratio is to unity, the more "self-contained" an area can be said to be.

During the first phases of new town development, however, the idea of having more available jobs than labor force is probably unrealistic. It is highly likely that during this period, the job base will be small relative to the available labor force and the out-commuting high and the ratio could conceivably take on negative values. This would lead to the conclusion that a planned new area was not "self-contained," and for new developments planning large job bases, such a conclusion may be premature.

This problem is overcome by calculating the ratio using job numbers called for in the plans and goals of the new development, and deriving the number of out-commuters from the expected numer of jobs to be held by resident labor force members. Thus, as long as the plans call for at least as many jobs as expected resident labor force members, a meaningful value for the ratio can be calculated.

More importantly, however, use of an expression which focuses on numbers of commuters allows one to distinguish between jobs in the new town available to the resident labor force and those available to workers from *outside* the new town. Such a distinction is not unimportant. For example, consider a developing new city with a population goal of 100,000 residents and a labor force participation rate of 33 percent. Approximately 33,000 residents would need jobs somewhere. Plans for the provision of, say, 16,500 jobs in the new town would require daily commutation for at least 50 percent of the resident work force, assuming all locally available jobs were held by residents. A daily commuter outflow of this magnitude, given the size of the job base, would more likely identify a large, peripheral new community than an economically autonomous new city. The self-containment ratio in this case is zero.

On the other hand, assume plans call for provision of, say, 33,000 jobs or more. If only one-half of these are filled by the resident labor force, the same 50 percent figure for out-commuting applies. However, in this case there remains a new 16,500 jobs to be filled by nonresidents commuting *into* the new city. Such cross-commuting removes the singular economic dependency of the new city upon the nearby metropolitan area, and in fact creates a certain interdependency between the two areas. The ratio in this case indicates a self-containment factor of .50. Any increase in the job base or reduction in out-commuting, or both, will increase the degree of economic autonomy, and the new area can be said to be approaching a state of self-containment.

So, even when cross-commuting occurs, if there are at least as many, if not more, jobs than resident workers, economic autonomy can still be said to exist. Workers must now be "imported" to fill jobs not taken by, or available to, members of the resident labor force, but the new town economy can still be described in part by the term "self-contained." Use of total jobs in the calculation of the self-containment ratio takes into account the number of jobs in the new town available to residents of other areas.

Whether the magnitudes of resident and non-resident job holders are as assumed above is not particularly important. The point is that, by planning for at least as many jobs as there are labor force members, a new settlement can more realistically be said to have achieved a significant amount of economic autonomy, and presumably a higher level of self-containment. This is especially true if the number of local jobs and work force members are equal, and nearly all jobs are held by residents of the new town. In this case the self-containment ratio is close to unity.

Moreover, if such a degree of self-containment is achieved, this measure implies a potentially broader distribution of social and economic class structures than would be realized if the new area were dependent upon some nearby metropolitan area for the majority of its economic and social goods and services. This broader distribution, in turn, has been deemed desirable by most new town planners and supporters.

For some, the interdependencies created by cross-commuting would raise another issue: the possibility that new towns thus defined would include high-income groups who are geographically able to isolate themselves, merely exporting their services to other areas while importing middle and low-income workers to provide the area with its necessary distribution of goods and services, but preventing such workers and their families from living in the new town. According to the definition being offered here, such class enclaves could be identified as new towns when certain extreme cross-commutation patterns occurred.

To be sure, existing cities, already burdened with increasing numbers of the poor and disadvantaged in the face of decreasing municipal revenues as the affluent move to the suburbs, will experience only minor (if any) benefits from the development of self-contained new towns if such new towns neglect to incorporate the existing socioeconomic diversity of established urban areas—the likely result of this kind of extreme cross-commuting just mentioned.

Such a result, however, is an important question of social costs and benefits, but not one of pure definition. For purposes here, the criterion of economic autonomy as expressed in a self-containment measure such as that suggested above is considered to be one of the most important elements in distinguishing a "new town" from a "new community."

Finally, some will argue that even where economic autonomy exists, if cross-commuting occurs the resulting interdependencies do not allow a physical distinction to be made between existing metropolitan areas and what may really just be their peripheral or suburban communities. The only difference might be in the more planned nature of the community. But in a strict definitional sense physical space can intervene. Thus the fifth and final new town criterion can now be introduced: some degree of spatial distinction.

As a definitional criterion, spatial distinction primarily refers to the physical separation, in terms of distance or travel time, of a new and planned area from an existing metropolitan area. When added to the other criteria, spatial distinction completes the necessary and sufficient elements for defining a new town or new city, and distinguishes this growth form from the more vague (but currently pervasive) notion of "new community," as well as from the concept of "new-towns-intown." Thus, given the four preceding criteria, this space which intervenes creates a spatially identifiable urban entity capable of generating continued economic, social, and political activity considered to be three basic functions of a city.

Even with minimum population, comprehensive planning, multiple land uses, and some identifiable economic base, a newly developing area which is not distinct spatially from an existing metropolitan center is really only another way of organizing development within cities or at the urban fringe; for example, perhaps a "better organized" form of central city development or suburban expansion. But agreement on how much intervening space is necessary to consider one area spatially distinct from another is likely to be hard to come by.

If the basic notion is accepted that "some" space should exist between the new and existing urban areas (space that must be overcome by more than just a few minutes of driving time), spatial distinction is not at all difficult to interpret in the sense of defining a new town; in fact, there is no need to allude to any firm minimum distances, nor to whether the intervening space must be devoid of land-use activity. Whether the distance involved is relatively great, such as that between, say, Lake Havasu City, Arizona and its nearest urban neighbor; or the distance is much less, such as that between Columbia, Maryland, and Baltimore or Washington, D.C., the important fact remains that each is currently, and plans to remain, physically separated and distinct.

For some, the spatial element is a crucial difference between the British new towns and the American "new communities." This distinction, however, really only indicates the rather large difference between British public decisions to separate and physically contain the growth of individual new towns, and America's generally private approach to building marginal additions to the urban periphery. The point is that spatial considerations alone are not enough to distinguish new towns from new communities as the concepts are being used here. But when added to the other criteria, spatial distinction firms up a definition of the new town concept.

The time element in spatial distinction is also important, though one must interpret it carefully. Over time, planned and zoned open space, green belts, and other spatial "buffers" may give way to the outward push from both the new and existing areas, as long as growth is assumed to occur and zoning ordinances capable of changing. For example, continued metropolitan growth in Orange and Los Angeles Counties may converge on the new city of Irvine, California, making physical boundaries difficult to distinguish. Similarly, some will argue that as the Baltimore-Washington corridor continues to fill in, and as the new city of Columbia begins to expand, the existing spatial distinction will disappear. This indeed may happen. But should Columbia and Irvine not be considered "new cities" while Lake Havasu City is?

It is actually the time horizon which would make this distinction. Given a sufficient amount of time, the desert space around Lake Havasu City might also fill up with urbanized activities. But given a sufficient amount of time, Lake Havasu City will cease to be known as a "new" city and will start to become an "old" city. What is at issue here is whether some planned settlement type, at the beginning and early stages of its development, should be labeled a "new town" or "new city." Thus, while the time element cannot be ignored, the criterion of spatial distinction is meant here to apply to that physical separation which is planned for and anticipated, and which exists during the development and short-run stages of new city growth.

Finally, inclusion of the spatial distinction criterion helps to distinguish new towns (as defined here) from another concept, originally proposed by Harvey Perloff, which has gained a certain amount of recent attention—"new-towns-intown." Clarification of this rather subtle distinction between the two is necessary to enable researchers and decision makers to more realistically appraise the contribution various new urban settlement types make in helping solve selected urban growth problems. Building and developing new urban forms within the boundaries of existing cities and metropolitan areas is essentially a process of renewing and restructuring what already exists; that is, building upon and drawing from a rather substantial existing infrastructure and population base. In this sense, the concept is closely aligned with the renewal and redevelopment of central areas in a concerted effort to redistribute population and economic activities *within* metropolitan boundaries.

Building new towns, on the other hand, is seen to be an attempt to decentralize population growth and attack the perceived problem of suburban sprawl by building new urban forms from scratch *outside* the boundaries of existing cities. Physical separation helps make this difference clearer. Thus, while the first four criteria—size, planning, multiple uses, and economic autonomy—could describe a "new-town-intown," addition of the spatial distinction criterion distinguishes the concept being defined here—new towns or new cities.

The definitional distinction between "new towns" and "new-towns-intown" becomes clearer when one considers the proposed new development of South Richmond in New York City. The Rouse Company, developer of Columbia, Maryland, has proposed to the City of New York that Staten Island and the city of South Richmond be developed as a "new city in the city." The proposed population would be between 300,000 and 400,000. There would be a comprehensive plan focused on adding to and redeveloping existing infrastructure, and the proposal calls for multiple land uses and a substantial economic base. Should it be developed according to the proposal, South Richmond would qualify as a new-town-intown according to the definition suggested here.

While these examples and distinctions might be considered moot points, it becomes clear that confusion abounds in defining the new town concept, and in distinguishing this concept from others such as "new-towns-intown" and "new communities." However, in order for others to determine what effect new urban forms have on the various problems they are said to be helping solve, such distinctions need to be made.

Using the five criteria discussed, it is possible to derive a definitional matrix of planned, new urban settlement types and thus distinguish between "new towns or cities," "new communities," and "new-towns-intown." For example, an area which met all five of the criteria would, of course, be classified as a new town or new city (depending upon the expected population size). Similarly, a settlement meeting only the first four criteria—size, planning, multiple use, and economic autonomy—would most likely be described as a new-town-intown. And finally, settlements meeting various other combinations of the criteria should realistically be considered new communities. Table 1 helps in understanding how these distinctions are made.

Several points are discernable from the table's classification scheme. First, the criterion of comprehensive planning is found throughout all of the settlement types. This pervasiveness is not surprising given the strong push in recent years toward more socially and physically "planned environments," and in light of the generally comprehensive land-use planning requirements which are prerequisites to obtaining Federal monies under a variety of urban programs. How strongly builders and developers are committed to such planning, however, may be another question. In any case, it is quite probable that comprehensive land-use and social planning will continue to be integral elements in the new town and new community concepts though the varied benefits and costs resulting from the social planning elements may be substantially more complex and difficult to identify and interpret.

Second, given the possible combinations suggested by Table 1, it is clear that most settlement types, existing or being developed, are not new towns or cities but rather "new communities" as the terms have been defined here.

Third, from the elements listed in the table, it is clear that economic autonomy or provision of a job base as discussed earlier, is the primary criterion distinguishing new towns or cities from new communities. Only in the specially defined case of a new-town-intown does this element appear without all other criteria also appearing. This is of particular importance to policy makers. The calling by the National Committee on Urban Growth Policy for "100 new towns and 10 new cities" to help solve selected urban growth problems means that substantial redistributions must occur in industrial and service jobs, over and above those already occurring as these activities decentralize and move to the suburbs of existing metropolitan areas.

To some, the issue of providing a specific definition of a new town will appear questionable. It is, to be sure, problematic. After a thorough review of the complexities of the new town definitional question, James Clapp states:

> It is evident that existing new towns exhibit a wide variety of purposes and functions, locations, sizes, and mixtures of land uses. This variety makes questionable the selection of any one type of new town as a model. . . . It is (also) quite evident that there probably will never be a widely acceptable definition of the new town concept, since it will continually be redefined to fit new purposes and problems. (James A. Clapp, *New Towns and Urban Policy*, New York: Praeger, Inc. 1969, pp. 64-65).

However, the very fact that new purposes and problems are likely to arise, makes differentiating various forms of urban development even more important from the standpoint of urban and regional policy decisions. Once a distinction is made according to some set of criteria, such as the one suggested here, various growth policy questions can then be addressed more efficiently. And the kinds of answers one obtains will of course vary depending upon which form of growth has been chosen.

If future urban growth is to be redirected to new *towns* or *cities*, then a significant rethinking may be in order to determine the ability, as well as the role, of the private and public sectors in creating new environments which are at the very least "self-contained" in the sense described earlier. Thinking might also then be given to a restriction on the "supply" of new towns and cities (an "optimal" city-size?) in order that each be built at a large enough scale to support a truly diversified set of economic, social, and political activities and services.

If, on the other hand, new *communities* are seen to hold the most promise, then new priorities may need to be established relative to encouraging a more organized and directed pattern of growth in present suburban areas. Furthermore, consideration will need to be given to whether the kinds of shifts in political power and economic resources necessary to affect social and economic change and to meet stated urban growth objectives are significantly different from those shifts already occurring in the expanding suburbs of existing metropolitan areas.

These issues should not be discarded so lightly as they have been in new town literature which has surfaced. It may not be so important that one accepts the specific definitional criteria suggested here, as it is to accept the need to simply make such a distinction in the first place.

Urban development corporations, metropolitan and regional planning bodies, as well as private builders and developers, all will have a hand in shaping the form and pattern of future urban growth. Whether or not these patterns and forms will aid in solving any of the currently perceived urban growth problems, will depend largely on how such agencies and individuals define and implement the concepts with which they are working. Hopefully, this article has helped clarify at least the definitional part of the problem.

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classification of new development types

Criteria						Classification		
Development Type	Size	Planning	Multi-use	Economic Autonomy	Physical Separation	New Community	New-Town-Intown	New Town
A	X	X	X			X		
B	X	X	X		X	X		
C		X	X		X	X		
D	X	X			X	X		
E	X	X	X	X			X	
F	X	X	X	X	X			X

Development Type

A: Typical planned suburban community with some economic activity in the form of commercial, office and recreational land use characteristics.

B: Same as A, but physically separated from the urban fringe.

C: Much smaller, "detached" suburban community.

D: Typical residential "bedroom" commuter development with no true multi-use character.

E: New-town-intown.

F: New town or new city.

Property Tax Property Tax Property Tax

by Dr. Mabel Walker

Major forces are converging upon the property tax. It would be foolhardy to attempt to pinpoint in detail and with certainty the potential impact of these forces. We can only observe what is happening and then, on the basis of our personal observations and our knowledge of past developments, try to foresee the major outlines of future developments, realizing that new and unexpected events could change the outlook.

In foreseeing the future probably no two people would get the same picture. Nevertheless, there is surprising consensus among those who have studied the property tax. For example, I know of none who foresees or recommends the abolition of the property tax or the tax on residential property. All emphasize the importance of improvement in property tax administration, particularly assessment, and most deplore the administration of the tax by such small units of government that they are in no position to establish adequate assessment procedures and personnel; many expect some changes relating to that problem.

Further, most look to the states rather than to the federal government to bring about the essential reforms and feel that the federal role should be secondary to the state role.

On these basic points there seems to be general agreement, even though there is disagreement on some other aspects of the problem.

Major Criticisms of the Property Tax

Before venturing future predictions and identifying the major forces converging upon the property tax it is worth mentioning some of the traditional criticisms of the tax. They are: 1. it is inefficiently and inequitably administered; 2. it is regressive; and 3. it constitutes too great a burden because rates are too high.

Probably no one will disagree that in many places the tax is inefficiently and inequitably administered, even though much improvement has been made in its administration in other areas.

There are techniques which operate to secure a tolerable degree of equity in the assessment of private homes and other types of property which are transferred frequently enough to provide market values. Assessment of industrial and commercial properties of some magnitude is quite different, however, because transfer information giving market values is seldom available. Without a yardstick to check market values of such properties, the technical difficulties of appraisal are great. To illustrate, in 1965, at a meeting of the National Association of Tax Administrators, I heard a competent and serious speaker talk for one and a half hours on the technical aspects of assessing the Illinois Central Railroad property.

I suspect that the task of assessing a large industrial complex would be even more difficult. How can we expect a local assessor, even a very competent one, to have the essential know-how? An important role for the state to play is in devising the methodology for making such assessments and in training personnel to carry them out. A particularly difficult area of assessment, this calls for more high-level technical attention than it has received.

The criticism of the property tax on the basis of its regressivity is less valid. The tax has been regarded generally as an *in rem* tax based on the property and not the owner. Also, assessments are often so unequal in their ratio to values that it is difficult to draw conclusions about their impact on categories of taxpayers. Finally, if there is any merit to the capitalization theory, then the burden of the tax has been capitalized at the time of purchase and does not constitute a real burden as long as the rate remains unchanged. However, none of these assumptions works perfectly, and we get into many uncertainties in studying regressivity in relation to the property tax.

Criticism of the tax on the basis of inequity cannot be over-emphasized. If several persons own homes worth \$20,000 each, each property should be assessed at \$20,000; and homes worth \$50,000, \$100,000, or \$300,000 should be assessed at \$50,000, \$100,000, and \$300,000 respectively. Unfortunately, recent studies indicate that this situation does not prevail in the country today. The assessment-sales ratio disparities are shocking. This, then, is the major valid indictment of the property tax, not that it is regressive, but that it is inequitable.

The third major criticism of the property tax, that of sheer tax burden, is also valid. Tax burden varies greatly from place to place. In some areas it is comparatively light while in others it is oppressive. The tax policy designers should devote considerable attention to this defect and consider the imposition of rigid tax limits by the states.

Forces Converging Upon Property Tax

We can identify four compulsive forces now converging upon the property tax. They are:

1. judicial decisions
2. activity at state level
3. activity at federal level
4. widespread taxpayer resentment over inequitable and rapidly mounting property tax burdens

In addition to these pre-eminent forces, activities by various fringe groups are calling attention to defects of the property tax and making suggestions for improvement. However, these are not included in this discussion of most significant factors in the current upheaval.

Judicial Decisions

Most dramatic and immediately powerful is the force represented by court decisions. Attention has been largely concentrated on the educational finance decisions which have been rendered in a few states and may be repeated in others. However, other kinds of decisions are also affecting the property tax, some of which may be monumental in their impact.

In addition to the school finance cases, important decisions have been rendered relating to uniformity of assessments, equality of governmental services in different parts of a city, school district merging, exclusionary zoning, and ecological considerations. These various judicial decisions affect a mare's nest of problems: education, property tax relief, housing location, protection of the environment, land speculation, industrial location, planning, transportation, and many others.

In recent years decisions relating to property tax assessments in New Jersey, Massachusetts, Florida, Kentucky, Georgia, Tennessee, Alabama, and Ohio have been revolutionary in their impact. These cases have been distinctive in that the plaintiff did not follow the customary procedure of seeking individual private relief through a reduction in his assessment, but instead sought public action in the reassessment of all real property at full or at least at uniform value. It seems likely that appeals of this nature will continue, at least until the more glaring assessment differentials are eliminated.

So far there has been one decision relating to equality of governmental services in different sections of a city. In *Hawkins v. Town of Shaw,* Judge Tuttle of the Fifth Circuit Court ruled that the Mississippi town must equalize the municipal services in different sections of the city. If similar decisions are rendered elsewhere, the financial strain of such equalization would have a marked impact on property taxation.

School finance decisions have attracted more public attention nationwide than any of the others. In this era of political activism the discrepancy among school districts with respect both to educational services and tax burdens, especially in states with a large number of such districts, has proved an obvious target for social reformers. Almost all the decisions, whether in state or federal courts, have resulted in verdicts on behalf of the plaintiffs. The U.S. Supreme Court agreed in June of this year to review the Texas case in its term beginning this month.

Also of interest in their impact on property taxation are the decisions requiring school district merging in metropolitan areas. There have been such rulings in Richmond and Detroit and cases are pending in other areas. The rulings are being appealed.

The exclusionary zoning verdicts are even more revolutionary in their po-

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tential impact on the way of life in America. Such decisions relate to the city dweller's right to locate in suburban or exurban areas, the community's right to protect itself from being overwhelmed by an influx of new residents, the right of workers to live conveniently near their jobs, ecological considerations, and the location of new industrial developments.

The problems related to exclusionary zoning and the court decisions concerning them are so complex and vital that by comparison the problems of school financing appear relatively simple.

Exclusionary zoning may take the form of establishing acreage or building space requirements; or permitting only one-family homes; or limiting multi-family homes by the number of bedrooms; or establishing minimum housing expenditure limitations. A major purpose in each case is to keep the property tax rates down by excluding poor families, particularly those with large numbers of school children.

New Jersey is a state where such zoning is prevalent. It has become the target of activist groups and such zoning has been invalidated in a number of cases. As a result of these cases, Governor Cahill has proposed a uniform state building code to eliminate the contradictions and disparities that have helped discourage many contractors and developers. He has proposed a state planning council that could designate critical areas (such as regions near airports, reservoirs, parklands, state highways, governmental facilities, and flood plain areas where present development has threatened the existence of small communities) over which the state would have the final authority for planning. Governor Cahill also has stressed that we must have a balance in housing: low, moderate, and expensive, single and multi-family.

The location of housing developments is one of the most emotionally charged, complex, and vexing problems facing the country. Property tax, land use planning, and the pattern of local governmental units are all related to the problem.

Complicating the problem is the extreme sensitivity of the average person toward his home and his way of life. Guidelines are essential in dealing with this maze of social and economic conflicts and even at best there will still be difficulties and disharmonies. To accomplish a needed reform in an abrasive way is neither immediately helpful nor conducive to lasting improvement in social relationships. However, a carefully thought-out approach might minimize these frictions and result in greater achievements at a more rapid rate.

Here are some of the questions to be faced: How can the housing needs of all groups be met without destroying the ecology of established communities? A viable community is something more than a collection of houses and people. Ideally, there should be diversity of incomes, occupations, and ages among the residents, and all should be held together by a common unifying thread of community satisfactions and aspirations.

How can workers find housing located within easy reach of their jobs? Conversely, how can employers find within the area the various categories of workers that they need?

How can minority and other low-income groups break out of a ghetto pattern? How can established communities be protected from an influx of new residents that would overwhelm the local community, and that also might dangerously lower the water level or make demands for sewage disposal greater than could be provided in that particular terrain?

These are difficult questions and the rights of many persons are involved. Some indications of possible approaches have come from thoughtful persons concerned with these problems. An obvious first step would be to outlaw any provision that prohibits the in-migration of a person on the basis of race, religion or income. This would not mean the overthrow of zoning designed to conserve scenic or historic value or to prohibit nuisances. Nor would standards of aesthetics and maintenance have to be sacrificed. A modest home can be charming. The gatekeeper lodges did not mar the great estates of the past.

Another suggestion is that any sizeable new residential development should include provision for apartments and single-family homes of different sizes, row houses, and perhaps a carefully planned and landscaped mobile home park.

Some advise that any community admitting a new industrial development should make provision for housing for the workers, unless a local labor supply is already available. If ecological standards are set locally, they should be subject to review at the state level: first, in order to prevent their being used to exclude the poor; second, to ensure that the environment is protected.

Others advise that attention be given to the sheer size of the development. Much of the current bitterness and turmoil has been aroused by the size of the projected developments and by the fact that they are usually designed for a specific income group—usually low-income, but sometimes middle-income, or even upper-middle-income. Even the latter groups are resented if they arrive in such numbers that they overwhelm the established community.

Certain unfortunate communities have been hit upon as targets for mammoth low-income developments. These target communities are usually middle-income areas, where home ownership is a matter of intense personal pride. There may have been inroads in affluent areas, but if so, I have not heard of them.

Do the American people really want these monstrous housing developments—whether they are for low, middle, or upper-middle income groups? (These comments do not apply to the carefully planned new cities and towns that include the whole gamut of urban activities).

Such considerations may be pointing the way to an emerging set of guidelines.

Ecological decisions and considerations are closely related, though obliquely, to those on exclusionary zoning; and to some extent they are even diametrically opposed. Laws and decisions in this field are not patently tied in with property taxation, but they are related. Land-use policies of various kinds are significant in relation to the property tax, and ecological considerations are an increasingly important factor in developing land-use policies. Moreover, to the extent that ecological considerations foster or prevent the determination of land-use policies by small local units, they will affect tax disparities among such units. In educational financing, location of housing and industry, and environmental protection, there is a trend toward increasing state supervision and limiting the power of local units. There are many laws, decisions, and articles relating to land use and ecology. Some of the most important environmental considerations are water pollution, aesthetics, limitation of development, and control of coastal lands.

Activity at State Level

In studying the impact of these various judicial decisions on property taxation, we must recognize that court decisions are of the "Thou shalt not" nature. Other agencies of government must supply the constructive efforts for solving these problems of property taxation. The state has fundamental authority, and there are increasing evidences of state activity, both from legislatures and governors. Such activity has been evidenced in many ways. One indication is in the property tax study commissions that have been set up by the states. Some excellent reports have been issued. Particularly outstanding is the six-volume Report of the New Jersey Tax Policy Committee, issued earlier this year. The Report of the New York State Commission on the Quality, Cost and Financing of Elementary and Secondary Education is being issued piecemeal, and has been getting wide publicity in the press.

Activity at Federal Level

In addition to the courts and states, the federal government has been active. In recent years it has shown unprecedented interest in the property tax. Several Congressional committees have held hearings or issued reports concerning it.

President Nixon has referred to the burden of the tax in some of his addresses. He appointed a Commission on School Finance which reported in March 1972. In January 1972, he requested the Advisory Commission on Intergovernmental Relations to study the impact on intergovernmental relations of a tax reform which would replace residential school property taxes with a federal value-added tax. The Commission, which is bipartisan and has representatives from both houses of Congress, the Cabinet, governors, mayors, county executives and the public, directed its staff to make such a study. The staff report, which will be voluminous and contain a wealth of data, will shortly be completed. The Commission itself will meet and act upon the report in December. Their conclusions are being awaited with so much interest that the press has already scooped some confidential information.

Taxpayer Concern

In listing these various forces, the most influential has been left to the last. Taxpayer pressure is the basic motivating force that has set in motion the judicial decisions, the state activity, and the Congressional and Presidential concern.

Foreseeing the Future

I have indicated briefly the chief criticisms of the tax and have mentioned the most significant forces directed toward changes.

But what can we anticipate in the way of changes? Here are some of the things which I think may happen:

1. Federal assumption of fiscal responsibility for welfare.

2. State assumption of fiscal responsibility for schools. This may be forced upon the states by the courts.

These two shifts in intergovernmental fiscal responsibilities would substantially lessen local fiscal problems, reduce property tax burdens, and eliminate many disparities in tax burdens. Even if the state then imposed a property tax to pay for a portion of its school costs, the taxpayer would still gain.

3. A third change that may come is the restructuring of local units to make them more efficient and more viable. This change may take place because of oblique impacts rather than a direct attack. For example, if there is statewide financing of schools and court rejections of exclusionary zoning practices, much of the *raison d'etre* of many small fractionated governments will disappear. If small units are prevented from forming tax havens whereby they can both have excellent schools at a relatively low tax rate and screen out an influx of poor residents with attendant school and welfare costs, while attracting tax rateables in the form of new commercial and industrial developments, then some of the strong opposition to more logical local patterns may disappear. Even if the opposition does not disappear, it will become weaker as fiscal disparities are reduced by the state assumption of educational costs.

4. A fourth change affecting the tax will be larger state and federal roles in land use decisions.

5. The current trend toward revitalization of state government will increase, rather than any lessening of state responsibilities and a federal takeover.

Some experienced observers predict that the future of state and local governments will be centered more and more in Washington and that states and localities will become less important. To many of us, such a development would be repugnant.

While I do not foresee such a centralization of power, we cannot overemphasize the important role of the federal government in collecting and disseminating essential data. One of our conspicuous gaps now is in getting comparative urban land use data on a periodic basis and according to a uniform classification of uses. The present lack of information is serious for developers as well as for those determining urban policies. The urban character is changing rapidly, and there is no planning or tax device that will turn the clock back and restore the cities to their former roles.

Perhaps the most effective way to hold down land prices in the central cities would be to obtain and publicize periodic data on actual land uses in the various cities and also to project economic trends for the cities. Had we adopted such a policy in the '30s instead of the federal policy of bolstering land prices through its write-down policy for public housing, urban land prices might have fallen more than they actually have. This does not apply to the relatively limited and strategic sites for commercial use, but to the large gray areas. Even in the present situation prices have not regained the peak that they reached in the '20s.

A periodic urban land use inventory could have many uses. It might show that much of the gray area of cities is not going to be used constructively for anything except open space and low-income housing.

At present we have neither a clearly formulated and generally agreed upon set of urban land use goals, nor clearcut and accurate data on present uses. And we are not adequately informed about the current trends that are rapidly changing such uses.

6. Finally, in considering potential property tax developments, we cannot ignore the possibility of some tax development that will enable society to share in the tremendous gains in land values.

I am not referring to land value taxation or, as it is sometimes called, site value taxation. However, proposals of this nature are flourishing, particularly in California, and such a device is advocated by some planners and endorsed by some prominent public finance scholars.

Two principal arguments for land value taxation are: it would recoup socially created values, and it would force land into its highest and best use. However, one could contend that it would do little to recoup the most substantial gains resulting from land speculation. And the argument that it would force land to its highest and best use bears closer examination. That timeworn slogan, "highest and best use," means the use which will yield the greatest profit to the landowner while such use can be detrimental to the community. This principle is in conflict with much of the newer thinking on land uses and land controls.

It would be most unfortunate if all urban land were to be forced into immediate use. There are advantages in having some land temporarily withheld from the market in order to allow leeway for future development. Are we so wise at this moment in history that we can determine how all land should be used? Shall we allow no leeway for the future other than by tearing down what we put up today? The vacant or underutilized land of today may offer great opportunity for more appropriate development tomorrow. Having an owner assume responsibility for holding and paying taxes on under-utilized land is an advantage, although such a tax would burden the poor and result in other serious inequities.

Nevertheless, there are valid arguments for some form of special tax upon increases in land values imposed at the time of transfer of property. Vast fortunes are being made quickly in land development and only a small proportion of the population share in these huge profits. Other writers have pointed out that increases in land values are socially created, and to an extent this is true. More and more, however, land values are going to be formed because of governmental regulation, as distinct from governmental expenditures. For extensive ecological considerations, an owner's rights in land are going to be severely limited. Owners of coastal lands, flood plains, scenic and historic areas, and other areas that are not suitable for intensive development will find that they have few opportunities to develop their property advantageously, while development will proceed at an accelerated pace in other areas. Just as one group of owners will suffer losses because the value of their properties has been diminished as a result of governmental restrictions, other groups more favorably situated will reap tremendous gains.

In the interest of justice, therefore, some method must be devised of recouping some portion of the extraordinary profits. This would help iron out the extremes in the fortunes of those whose land is zoned for the most profitable use and those whose lands must be held in a dormant state because of ecological or other considerations.

If the present *ad valorem* tax on both land and improvements, including residential property, is maintained with rigid rate limitations, and if a special capital gains tax is imposed on land value increases at the time of transfer, the property tax could be retained as a productive and equitable source of revenue. The special capital gains tax would not disturb the existing complex network of equity relationships in land, nor would it depend upon the vagaries of the assessing system.

A special assessment is a tax on what is expected to happen; land value taxation would be a tax on what might have happened; while the gains tax would be a tax on what has happened. When values are not realized, the owner is penalized under special assessments, or under the proposed land value tax. This could not happen under the gains tax.

The vision that each person sees within his crystal ball is determined by his own myopic limitations, and there is no way of currently proving any forecast. However, that the future will be shaped largely by the developments of today is reasonably certain and we can forecast according to visible trends.

Perhaps the only firm conclusion is to agree with the remark that Adam is purported to have made to Eve, as they left the Garden of Eden: "My dear, we are living in a period of great social change."

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This article is taken from a speech given by Dr. Walker at the October 1972 ULI Fall Meeting held in San Diego.

Property Tax

Coming Soon

The following ULI publications are scheduled for release in the near future.

Research Report 19

The Role of Site Value Taxation in CBD Redevelopment
by R. W. Archer

Research Report 20

New Towns: A United States and International Bibliography
by Dr. Gideon Golany

Next Month in Urban Land

Zoning: Tool or Tie-Up?

ULI Future Meetings

1973

May 14-16
Radisson South Hotel
Minneapolis, Minnesota

October 15-17
Fairmont Hotel and Tower
San Francisco, California

1974

April 23-25
Walt Disney World
Orlando, Florida

The Nicollet Mall, main street in Minneapolis.